



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2017 Biennium

Bill #	HB0483	Title:	Raising pension benefit in VFCA
Primary Sponsor:	Lieser, Ed	Status:	As Amended

Retirement Systems Affected: ☐ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police
☐ Sheriffs ☐ Firefighters ☒ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
☒ Has the cost of this legislation been calculated by the system's actuary?
☐ Does this legislation include full funding for any benefit revisions?

VFCA	July 1, 2014 Current System	July 1, 2014 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$37,975,000	\$43,706,000	\$5,731,000
Present Value of Actuarial Assets	\$31,281,000	\$31,281,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$6,694,000	\$12,425,000	\$5,731,000
Amortization Period (years) of UAAL	5.10	12.30	7.20
Change in normal costs	\$ 185,000.00	\$ 213,000.00	\$28,000
Amortization Over 20 years	\$ 645,000.00	\$ 1,197,000.00	\$552,000
Administrative Expense	\$ 61,000.00	\$ 61,000.00	\$0
Total Actuarial Funding Rate	\$ 891,000.00	\$ 1,471,000.00	\$580,000

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other - VFCA	\$416,838	\$432,538	\$448,830	\$465,735
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - VFCA	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: House Bill 483, as amended, increases the full or partial pension benefit to an eligible member under the Volunteer Firefighters' Compensation Act. In accordance with HB483, as amended, a full pension benefit paid to an eligible member would be \$175 a month. A partial pension benefit paid to an eligible member would be calculated by multiplying the full pension benefit by a fraction, the numerator of which is the eligible member's years of service, and the denominator of which is 20.

FISCAL ANALYSIS

Assumptions:

1. The fiscal impact presented assumes that HB 483, as amended, is the only amendment being considered. If other changes are adopted, the fiscal impact associated with HB 483 could be different.
2. There have been no adjustments for actuarial gains and losses or for changes in membership or financial data since the last valuation as of June 30, 2014.
3. The results of the impact statement do not include any potential effects on retirement trends due to the amended plan benefits.
4. To the extent that future experience deviates from the actuarial assumptions, the true cost of the proposed legislation could vary from the results of the impact statement.
5. Contributions for the VFCA are 5% of certain fire insurance premiums and are fully paid by the state.
6. Neither the volunteer fire departments nor the members contribute to the plan.
7. HB483, as amended, would increase the monthly benefit for the first 20 years of service from \$150 to \$175.
8. For service less than 20 years (partial benefit), the amended benefit would be based upon a fraction of \$175, the numerator of which is the number of years of service and the denominator of which is 20.
9. Monthly benefits based upon years of service in excess of 20 would be unchanged.
10. HB483, as amended, would apply to all current and future retirees.
11. The effective date for HB483, as amended, would be January 1, 2016
12. The Unfunded Accrued Liability is anticipated to increase by \$5,731,000.
13. The Normal Cost is anticipated to increase by \$28,000
14. The 20-year amortization is anticipated to increase by \$552,000.
15. The actual contributions over the actuarially determined contribution would change from the current \$0.9 million surplus to a \$0.3 million surplus, based upon the current level of funding.
16. The amortization period increases from 5.1 years to 12.3 years.
17. Since the amortization period for the unfunded actuarial liability is still less than 20 years, no benefit restrictions would go into effect for service over 30 years in accordance with 19-17-404(3)(a), MCA.

18. The VFCA trust fund would pay an increased amount of benefits each year.
19. In FY 2014 there were 1,332 retirees and the average benefit is \$145 per month.
20. A benefit of \$145 per month divided by the current \$7.50 per year of service equals an average of 19.3 years of service.
21. The annual amount of benefits paid per the FY 2014 valuation is \$2,314,170.
22. Based on HB483, the increased average benefit paid would be \$169 per month (19.3 years of service times the new amount of \$8.75 per year of service equals \$169 as a new average monthly benefit paid).
23. The annual amount of benefits paid per the amendments of HB 483 would be \$2,701,296 (1,332 retirees' times \$169 per month times 12 months equals \$2,701,296).
24. The difference between the FY 2014 benefits paid of \$2,314,170 and the HB 483 benefits paid of \$2,701,296 is \$387,126.
25. The retiree membership for VFCA for the years 2010, 2011, 2012, 2013 and 2014 is 1149, 1183, 1242, 1285, 1332, respectively. The average increase in retirees for the time period is 4%.
26. The 4% has been applied to the increase in retiree benefits of \$387,126 beginning in FY2014.

2014	2015	2016	2017	2018	2019
387,126	401,707	416,838	432,538	448,830	465,735

Under existing law:

27. The additional pension benefit of a member who continued to be an active member after completing 20 years of service must be increased by \$7.50 a month for each additional year of active service the member completed after 20 years of service, up to 30 total years of service.
28. The additional pension benefit of a member who continues to be a member after completing 30 years of credited service must be increased by \$7.50 a month for each additional year of credited service after 30 years if the pension trust fund is actuarially sound and amortization period for any unfunded liabilities remains 20 years or less.
29. A member does not have a contract right to any additional pension benefit over 30 years and the member's monthly benefit must be reduced to the 30 year amount, if the amortization period for the unfunded liabilities is greater than 20 years.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits	\$416,838	\$432,538	\$448,830	\$465,735
TOTAL Expenditures	\$416,838	\$432,538	\$448,830	\$465,735
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other VFCA	\$416,838	\$432,538	\$448,830	\$465,735
TOTAL Funding of Exp.	\$416,838	\$432,538	\$448,830	\$465,735
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other VFCA	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other VFCA	(\$416,838)	(\$432,538)	(\$448,830)	(\$465,735)

Sponsor's Initials

Date

Budget Director's Initials

Date